Wintershall Dea GmbH

Group Management Report

and

Consolidated Financial Statements

1 January – 30 September 2020

Group Management Report of the Wintershall Dea Group for the period 1 January to 30 September 2020

1. Material changes and key events

The reporting period comprises the months of January through September 2020. Since the preceding fiscal year covered the period from May through December 2019 (short fiscal year), the comparison period according to IAS 34 comprises the months of May through December 2019. Therefore, the amounts presented in the interim financial statements for reporting and comparison periods are not fully comparable. In addition to the comparison of the reporting period (1 January–30 September 2020) with the comparison period (1 May–31 December 2019), for the sake of comparability, the results of operations for the third quarter 2020 (1 July–30 September 2020) were compared with the results of operations for the third quarter of the calendar year 2019 (1 July–30 September 2019). For the sake of comparability, the amounts for the months of January–September 2019, derived from the addition of the consolidated financial statements of the Wintershall Group for January–April 2019, the consolidated financial statements of the Dea Group for January–April 2019 and the consolidated financial statements of the Wintershall Dea Group for May–September 2019 are reported as well. The periods January–September 2019 and July–September 2019 including the described comparisons are presented on a voluntary basis for illustrative purpose only. Additionally, these periods are referred to in the following as "like-for-like information for illustrative purposes". For computational reasons, rounding differences to the exact mathematical figures (monetary units, percentages, etc.) may occur.

As at 1 June 2020, Dawn Summers became a member of the Management Board of Wintershall Dea GmbH, Celle. As Chief Operating Officer (COO), she is responsible for the business units Germany, Norway, the Netherlands, UK and Denmark, Egypt, Libya, Algeria and UAE.

In Norway, the government enacted temporary changes to the petroleum tax system in June 2020 due to the COVID-19 pandemic. These changes include an increase to 24% in the uplift allowance for investments and the immediate tax expensing of both uplift allowances and capital expenditures in the special petroleum tax regime in 2020 and 2021. As a result, we received two instalments of cash refunds in the third quarter of 2020 from Norwegian tax authorities in the amount of NOK 3,002 million (€ 287 million) for the tax value of losses. The third instalment (NOK 1,501 million, ca. € 138 million) is expected in the fourth quarter of 2020 followed by an additional three instalments in the first half of 2021. The total amount will depend on the final taxable result for 2020.

Furthermore, we secured interests in nine new exploration licences in Norway, including three as the operator. In the Awards for Predefined Areas (APA) 2019 licencing round, we received participating interests in one licence in the Barents Sea, four in the Norwegian Sea and four in the North Sea.

In the Netherlands, our JV Wintershall Noordzee B.V. has successfully started gas production at the own-operated Sillimanite field with two production wells in the first half-year 2020. A third well was successfully drilled in the third quarter, and production will begin still in the current year.

Furthermore, the Oil and Gas Authorities of the United Kingdom offered three licence areas in the Northern Sea in September, which were applied for by our JV Wintershall Noordzee B.V..

In Mexico, we have made significant oil discoveries with our licence partners at the Polak and the Chinwol prospects in Block 29 in offshore Mexico.

In Egypt, we signed the concession agreement for the East Damanhour block, which is located to the west of Wintershall Dea's Disouq development in the onshore Nile Delta.

Following the deconsolidation of the WIGA Group in December 2019, the cash pooling contract with the equity-accounted investment WIGA was amended during the reporting period. From May 2020 onwards, WIGA has been pooling about 50% of their cash balances with WD Group (formerly 100%) and about 50% with Gazprom Germania Group, resulting in a significant reduction of about € 300 million in the cash balances of the WD Group.

Since the beginning of this year, the spread of Covid-19 has resulted in a global health pandemic, providing significant risk to the health of individuals. Wintershall Dea is carefully monitoring the development of the virus in all jurisdictions where we operate. Our priority is to avoid any harm to our employees and contractors. In addition to the actions taken to date, we will continue to evaluate the effects on both the current year and beyond. As the rapid spread of Covid-19 has resulted in a significant decline in global economic activity, as well as a correspondingly sharp decline in commodity prices, impairments were recognised in the second quarter.

2. Macro fundamentals

Oil prices

$/barrel	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[2]	Jul–Sep 2020	Jul–Sep 2019[2]
Average Brent price for the period[1]	41	64	65	43	62

[1] Source: Heren/Argus/Platts
[2] Like-for-like information for illustrative purposes

Gas prices

$/mscf	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[2]	Jul–Sep 2020	Jul–Sep 2019[2]
Average TTF price (month-ahead) for the period[1]	2.6	3.8	5.1	2.1	3.6

[1] Source: Heren/Argus/Platts; FX conversion according to ECB
[2] Like-for-like information for illustrative purposes

Foreign currency

Closing rates **€ 1 =**	30 Sep 2020	31 Dec 2019
Argentinian peso (ARS)	89.18	67.21
Russian ruble (RUB)	91.78	69.96
Norwegian krone (NOK)	11.10	9.86
US dollar (USD)	1.17	1.12

Average **€ 1 =**	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019	Jul–Sep 2020	Jul–Sep 2019
Argentinian peso (ARS)	76.16	57.99	49.95	85.68	55.82
Russian ruble (RUB)	79.96	71.53	73.08	86.24	71.84
Norwegian krone (NOK)	10.71	9.92	9.77	10.67	9.85
US dollar (USD)	1.13	1.11	1.12	1.17	1.11

3. Business performance and profitability

The group uses various key performance indicators to manage and steer its performance and to achieve sustainable and value-oriented growth. Production, adjusted EBITDAX (EBITDAX), development/production capital expenditures (capex) and free cash flow are the primary key metrics used for internal management control.

3.1. Production

Natural gas (mboe/d)	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[1]	Jul–Sep 2020	Jul–Sep 2019[2]
Northern Europe	108	104	105	100	95
Russia	230	229	229	221	212
Middle East/North Africa	39	42	37	38	40
Latin America	65	68	67	68	70
	442	**443**	**438**	**427**	**417**

Liquids (mboe/d)	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[1]	Jul–Sep 2020	Jul–Sep 2019[2]
Northern Europe	93	94	96	96	91
Russia	57	55	55	57	51
Middle East/North Africa[3]	12	13	12	17	19
Latin America	9	10	9	9	10
	171	**172**	**172**	**179**	**171**

Total production (mboe/d)	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[1]	Jul–Sep 2020	Jul–Sep 2019[2]
Northern Europe	201	198	201	196	186
Russia	287	284	284	278	263
Middle East/North Africa[3]	51	55	49	55	59
Latin America	74	78	76	77	80
	613	**615**	**610**	**606**	**588**

mboe/d — thousand barrel of oil equivalent per day/on working interest basis including proportional production from at equity-accounted companies

[1] The period comprises production for Wintershall Dea Group on a like-for-like basis for illustrative purposes (aggregating production for Wintershall Group for January–April 2019, the production for Dea Group for January–April 2019 and the production for Wintershall Dea Group for May–September 2019) on a working interest basis; including proportional production from at equity-accounted companies

[2] Like-for-like information for illustrative purposes

[3] Excluding Libya onshore

In the first three quarters of 2020, our daily production averaged 613 mboe/d, of which gas was 442 mboe/d and liquids 171 mboe/d. Overall production decreased by 2 mboe/d compared to May–December 2019. Reduction in demand in Argentina, maintenance and workover activities in Mexico and lower production in Egypt were partially offset by higher production in Northern Europe and Russia.

Total production in the third quarter of 2020 averaged to 606 mboe/d compared to 588 mboe/d in the period of July–September 2019. Gas production increased by 10 mboe/d (2%), and the production of liquids increased by 8 mboe/d (5%). Both increases were due mainly to the record production in the Achimov field and strong production in the Yuzhno-Russkoye field in Russia.

3.2. Realised prices

	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[1,]	Jul–Sep 2020	Jul–Sep 2019[1]
Average realised liquids price including oil price hedge result (in $/bbl)	26	38	41	26	41
Average realised liquids price excluding oil price hedge result (in $/bbl)	25	38	41	25	42
Northern Europe	34	51	53	35	52
Russia[2]	6	12	12	1	13
Middle East/North Africa	39	60	59	45	59
Latin America	34	45	49	35	45
Average realised gas price (in $/mscf)	1.5	2.2	2.4	1.4	2.1
Northern Europe	3.2	4.1	4.9	3.2	3.7
Russia[2]	0.4	0.9	0.9	0.2	0.8
Middle East/North Africa	2.8	3.5	3.5	2.7	3.4
Latin America	2.1	3.1	2.4	2.2	3.4

[1] Like-for-like information for illustrative purposes
[2] Includes the deduction of costs and applicable taxes

In the reporting period January–September 2020, our realised liquids price (excl. hedges) declined by 12 $/bbl from 38 $/bbl to 25 $/bbl (34%), compared to a decline in Brent prices of 36% over the same period. Our realised gas price declined by 0.7 $/mscf from 2.2 $/mscf to 1.5 $/mscf (32%), in line with the decline in TTF prices over the same period of 32%.

In the reporting period of July–September 2020, our realised liquids price (excl. hedges) declined by 17 $/bbl from 42 $/bbl to 25 $/bbl (40%), compared to a decline in Brent prices over the same period of 31%. The steeper decline in our liquids realisation was primarily driven by the significant decline in prices in Russia where the service fee formula typically follows the Brent prices with a time lag. The decline realised in gas prices of 0.7 $/mscf from 2.1 $/mscf to 1.4 $/mscf (33%), compares to a decline in TTF prices over the same period of 42% and reflects the advantage of having a diversified pricing structure built into the global gas asset portfolio.

3.3. Results of operations

Comparison of January–September 2020 to May–December 2019

Consolidated statement of income for the Wintershall Dea Group

€ million	Jan–Sep 2020	May–Dec 2019
Revenues and other income	2,675	3,873
EBITDAX	1,132	1,779
Income from operating activities	-963	741
Income/loss (-) before taxes	-1,118	601
Net income/loss (-)	-748	315
Adjusted net income	82	204

In the January–September 2020 reporting period, revenues and other income decreased by € 1,198 million, or 31%, to € 2,675 million, compared with € 3,873 million in the May–December 2019 period. The effect of the longer reporting period was offset by significantly lower commodity prices: Brent declined by 36%, whereas gas prices (TTF) declined by 32%. Furthermore, after the change in the consolidation method for the WIGA group in December 2019, revenues from midstream are no longer reported under revenues. This change was only partially compensated for by higher net income from equity-accounted investments midstream. Gas trading revenues accounted for € 429 million in the reporting period, compared to € 588 million in the period May–December 2019. Commodity hedges for oil and gas accounted for € 62 million of revenues; the comparison period included a positive hedge effect of € 38 million. Other income, which comprises mainly income from divestments, a government grant in Argentina and a gain from the settlement of a fixed price contract in Norway, decreased by € 464 million as the comparison period had largely consisted of a gain from the divestment of three subsidiaries (€ 427 million).

Income from operating activities decreased by € 1,704 million to € -963 million (May–December 2019: € 741 million). This decline resulted not only from lower revenues and other income but also a net impairment on assets in the amount of € 944 million (pre-tax). The impairment was triggered by a lower long-term commodity price forecast as well as reduced reserve expectations for the West Nile Delta development in Egypt. In the comparison period, impairments in the amount of € 298 million mainly resulted from producing assets in Northern Europe, an exploration asset in Latin America and goodwill impairment allocated to Latin America and the Middle East/North Africa. Depreciation and amortisation were nearly stable in the reporting period. In addition, general and administration expenses increased primarily due to higher integration cost and the release of restructuring provisions in the comparison period. In contrast, production and operating expenses decreased mainly due to lower cost of trade goods and cost reductions as a countermeasure to offset the decline in commodity prices. Exploration costs also decreased by 51% to € 73 million as a result of reduced exploration activities and higher dry well costs in the comparison period.

Income/loss before taxes amounted to € -1,118 million, which was a significant decline in comparison to the income/loss before taxes in the period May–December 2019 of € 601 million. In addition to lower income from operating activities, the financial result decreased by € 15 million, mainly due to an impairment on a shareholder loan granted to an equity-accounted investment of € 91 million and currency losses of € 153 million in the reporting period (May–December 2019: € 128 million). This decrease was partially offset by higher gains on FX derivatives (€ 30 million) compared to May–December 2019 and an increase of the net interest result. Net interest income in the reporting period amounted to € 61 million (May–December 2019: net interest income of € 7 million). The change relates to a decrease in interest expenses mainly due to the refinancing of the bridge financing (€ 10 million) and lower overnight draft facilities in Argentina (€ 16 million). Additionally, the capitalisation of borrowing costs increased by € 8 million. The comparison period was impacted by amortised arrangement fees (€ 10 million) for Facility A of the SFA, which was fully repaid in September 2019.

Due to the temporary changes in the Norwegian petroleum tax law and deferred taxes on net impairment on assets, the group recorded total income tax benefits of € 370 million in the reporting period of January–September 2020. The changes include an increase of the uplift allowance to 24% for investments and the direct tax expense of both the uplift allowance and capital expenditures in the special petroleum tax regime in 2020 and 2021.

Net income/loss amounted to € -748 million in the reporting period (May–December 2019: € 315 million).

Comparison of July–September 2020 to July–September 2019

Consolidated statement of income for the Wintershall Dea Group

€ million	Jul–Sep 2020	Jul–Sep 2019[1]
Revenues and other income	882	1,306
EBITDAX	397	708
Income from operating activities	51	296
Income/loss (-) before taxes	24	209
Net income/loss (-)	45	35
Adjusted net income	70	49

[1] Like-for-like information for illustrative purposes

In the July–September 2020 reporting period, revenues and other income decreased by € 424 million, or 32%, to € 882 million, compared with € 1,306 million in the July–September 2019 period. This decline was primarily a result of significantly lower commodity prices: the realised price for liquids declined by 40%, and the realised gas price declined by 33%. Moreover, after the change in the consolidation method for the WIGA group in December 2019, revenues from midstream are no longer reported under revenues. This change was only partially offset by the increase in net income from equity-accounted investments midstream. Gas trading revenues accounted for € 118 million in the reporting period, compared to € 179 million in the period of July–September 2019. Commodity hedges for oil and gas accounted for € 16 million of revenues compared to a negative hedge effect of € 1 million in the prior-year period.

Income from operating activities decreased by € 245 million to € 51 million (July–September 2019: € 296 million). The lower revenues were partially offset by lower production and operating and exploration expenses. Production and operating expenses decreased by € 90 million to € 366 million, primarily as a result of lower costs for trade goods and in response to the lower commodity prices and better production efficiency. Exploration costs also decreased, falling 75% to € 8 million due to reduced exploration activities. Depreciation and amortisation were lower in the reporting period and amounted to € 335 million (July–September 2019: € 361 million). General and administration expenses were also lower, declining 8% to € 101 million (July–September 2019: € 110 million).

Income before taxes amounted to € 24 million (July–September 2019: € 209 million), while the financial result increased by € 60 million. Gains from financial derivatives, net improved by € 119 million after a gain from derivatives of € 96 million in the July–September 2020 period versus a loss in the comparison period. In addition, the net interest result increased by € 38 million to € 18 million in the July–September 2020 period. This increase relates to a decrease in interest expenses primarily as a result of refinancing the bridge financing (€ 13 million), lower overnight draft facilities in Argentina (€ 5 million) and an increase in capitalised borrowing costs in the reporting period to € 11 million. These effects were partially offset by an increase in foreign currency exchange losses of € 89 million compared to a loss in the reporting period of € 118 million (July–September 2019: € 29 million). The reporting period was also impacted by an impairment of € 16 million on a shareholder loan granted to an equity-accounted investment.

The total income tax benefits (€ 21 million) of Wintershall Dea in the July–September 2020 reporting period were impacted by changes in the Norwegian petroleum tax law. The changes included an increase in the uplift allowance to 24% for investments and the direct tax expense of both the uplift allowance and capital expenditures in the special petroleum tax regime in 2020 and 2021.

Net income amounted to € 45 million in the reporting period (July–September 2019: € 35 million).

Non-GAAP performance indicators

EBITDAX

EBITDAX is a non-GAAP financial measure used for internal management control purposes within the Wintershall Dea Group. It is the primary key indicator from the statement of income and derived from the income/loss (-) before taxes and adjusted by the following items:

a) Interest income and expenses and income from investments shown as financial income and expenses in the statement of income but adjusted for interest effects related to pension provisions and pension assets, which are shown separately in the line "pension items".

b) Income and expenses attributable to exploration but excluding depreciation and amortisation, net impairment on assets, interest income and expenses, currency effects and pension items for exploration, as these are adjusted in separate line items.

c) Depreciation and amortisation and net impairment on assets as shown in the statement of income.

d) Acquisition, disposal and restructuring costs and further identified items as stated below. This represents all fees, costs and expenses, stamp duty, registration and other taxes incurred by the company in connection with an acquisition or a disposal and material items of an unusual or non-recurring nature (e.g. resulting from restructuring activities).

e) Realised and unrealised foreign exchange gains and losses (including hedging results).

f) Gains over or losses on book value arising from the disposal of fixed assets (other than the sale of trading stock).

g) Income from pension assets, interest expenses, service costs or other charges attributable to a post-employment benefit scheme (pension item).

€ million	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[2]	Jul–Sep 2020	Jul–Sep 2019[2]
Income/loss (-) before taxes	**-1,118**	**601**	**-715**	**24**	**209**
Interest and other financing costs	-65	6	25	-20	38
Exploration expenses	72	146	127	8	31
Depreciation, amortisation and net impairment on assets	1,991	1,350	2,437	327	361
Acquisition, disposal and restructuring costs and identified items [1)]	132	-425	303	28	18
Realised and unrealised gains/losses from foreign currency valuation and financial derivatives	99	103	67	22	53
Gains/losses attributable to the disposal of fixed assets	0	11	-34	-	-7
Pension items	21	-13	13	8	5
EBITDAX	**1,132**	**1,779**	**2,223**	**397**	**708**

[1] Includes the following identified items:
Jan–Sep 2020: including merger-related costs of € 41 million and € 91 million in impairment losses on financial receivables
May–Dec 2019: including merger-related costs of € 2 million, a net gain from deconsolidated subsidiaries and divestments of € 42 million and € 385 million for the change in consolidation method for the WIGA Group
Jan–Sep 2019: including merger-related costs of € 358 million and a net gain from deconsolidated subsidiaries and divestments of € 55 million
Jul–Sep 2020: including merger-related costs of € 12 million and € 16 million in impairment losses on financial receivables
Jul–Sep 2019: including merger-related costs of € 14 million and a net loss from deconsolidated subsidiaries and divestments of € 4 million
[2] Like-for-like information for illustrative purposes

In the reporting period January–September 2020, EBITDAX decreased by € 647 million (36%) to € 1,132 million compared to the comparison period May–December 2019 (€ 1,779 million) mainly due to lower revenues in the reporting period, which were only partially offset by lower production and operating expenses, leading to the lower EBITDAX.

In the July–September 2020 reporting period, EBITDAX decreased by € 311 million (44%) to € 397 million compared to the July–September 2019 comparison period (€ 708 million). This decline was mainly due to lower revenues in the reporting period, which were only partially offset by lower production and operating expenses.

€ million	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[1]	Jul–Sep 2020	Jul–Sep 2019[1]
Northern Europe	703	1,025	1,270	257	383
Russia	150	246	363	9	86
Middle East/North Africa	99	215	227	64	118
Latin America	168	220	266	64	97
Midstream	152	170	236	50	78
Other	-140	-97	-139	-47	-54
Total EBITDAX	**1,132**	**1,779**	**2,223**	**397**	**708**

[1] Like-for-like information for illustrative purposes

Additional performance indicators

Adjusted net income

€ million	**Jan–Sep 2020**	**May–Dec 2019**	**Jan–Sep 2019[1]**	**Jul–Sep 2020**	**Jul–Sep 2019[1]**
Net income/loss (-)	-748	315	-821	45	35
Adjustments:					
Impairment losses on assets (incl. reversals)	944	298	1,281	-8	–
Impairment losses on financial receivables	91	–	–	16	–
Taxes on adjusted impairment losses	-246	-26	-135	5	–
Merger related costs	41	2	358	12	14
Deconsolidation WIGA	–	-385	–	–	–
Adjusted net income	**82**	**204**	**683**	**70**	**49**

[1] Like-for-like information for illustrative purposes

Adjusted net income is derived from net income/loss adjusted for special items such as impairment losses on assets and financial receivables and expenses related to the merger such as restructuring and integration cost and change of control fees.

Production costs

Production costs per boe ($/boe)	Jan–Sep 2020	May–Dec 2019	Jan–Sep 2019[1]	Jul–Sep 2020	Jul–Sep 2019[1]
Northern Europe	6.1	6.0	7.4	6.2	7.6
Russia	0.5	0.8	0.5	0.4	0.5
Middle East/North Africa	5.3	3.6	3.2	4.7	3.7
Latin America	3.4	4.0	3.9	2.8	3.8
Total production cost group	**3.8**	**4.1**	**4.3**	**3.7**	**4.5**

[1] Like-for-like information for illustrative purposes

Production costs relate to the production at consolidated companies only and comprise all costs related to operations including G&A allocation but exclude export and processing tariffs, transport fees, finance items and expenses for research and development. As we operate in Russia on a net-back basis, the majority of the production costs are already considered in the price formula, leading to lower realised prices and lower production costs.

Overall production costs decreased by 7%, or 0.3 $/boe in the reporting period versus the May–December 2019 comparison period. Quarter-on-quarter, production cost decreased by 18%, or 0.8 $/boe. The decline was primarily attributable to lower production costs in response to the lower commodity prices and in Northern Europe due to higher production efficiency and positive FX effects. These developments were partially offset by higher production costs in the Middle East/North Africa resulting from increased production volumes, higher charge-outs from the Gulf of Suez operator and lower releases of provisions.

4. Net assets

Balance sheet of the Wintershall Dea Group

Assets € million	30 Sep 2020	31 Dec 2019
Intangible assets	6,202	7,082
Tangible assets	9,050	9,932
Equity-accounted investments	2,542	2,685
Financial receivables	1,130	1,064
Other assets/receivables	298	308
Non-current assets	**19,222**	**21,071**
Financial receivables	219	181
Trade and other receivables	1,035	1,227
Other current assets	1,183	1,181
Current assets	**2,437**	**2,589**
Assets	**21,659**	**23,660**

Equity and liabilities € million	30 Sep 2020	31 Dec 2019
Equity	**6,932**	**8,289**
Provisions	3,571	3,624
Financial debt	5,926	6,028
Other non-current liabilities	3,533	3,542
Non-current liabilities	**13,030**	**13,194**
Provisions	266	375
Financial debt	488	576
Trade and other payables	857	1,096
Other current liabilities	86	130
Current liabilities	**1,697**	**2,177**
Equity and liabilities	**21,659**	**23,660**

Non-current assets amounted to 89% of total assets and equalled € 19,222 million as at 30 September 2020, down by € 1,849 million compared to 31 December 2019. The main cause of the decrease was a decline in intangible and tangible assets due to impairment losses, depreciation and amortisation and FX translation effects, which was only partially offset by capital expenditures. Intangible assets amounted to € 6,202 million, down by € 880 million, and tangible assets decreased by € 882 million to € 9,050 million. Equity-accounted investments decreased by € 143 million, mainly due to dividends received and FX translation effects. This decrease was partially compensated for by the net income from equity-accounted investments. Financial receivables, in contrast, increased by € 66 million.

Current assets decreased by 6% compared to 31 December 2019 and amounted to € 2,437 million as at 30 September 2020. Financial receivables increased by € 38 million, mainly due to financing activities in Russia and higher receivables from interests, partially offset by a shareholder loan to a Dutch equity-accounted investment that was fully impaired (€ 91 million) in the reporting period. Trade and other receivables decreased by € 192 million, mainly due to lower revenues. Other current assets remained stable at € 1,183 million. The increase in income tax assets (€ 265 million) due to the refunds for tax value of losses from Norwegian tax authorities in 2020 and 2021 and derivative assets (€ 38 million) was offset by a decline in cash and cash equivalents (€ 277 million) due to lower deposits from cash pooling and FX translation compared with 31 December 2019 as well as inventories (€ 24 million).

Non-current provisions and liabilities amounted to € 13,030 million as at 30 September 2020, a decrease of € 164 million compared with 31 December 2019. This decline was mainly due to a decrease of € 102 million in non-current financial debt related to lower lease liabilities in Norway. Furthermore, other non-current liabilities, which consists of derivative instruments, income tax liabilities, other liabilities and deferred tax liabilities, decreased by € 9 million, mainly due to lower deferred tax and other liabilities.

Current provisions and liabilities decreased by 22% compared to 31 December 2019 and amounted to € 1,697 million as at 30 September 2020. Trade and other payables decreased by € 239 million (22%), resulting from lower capital and operating expenditures. Current financial debt decreased by € 88 million, mainly due to lower cash pool liabilities to related parties. The decrease of € 96 million in other provisions was mainly due to the use of restructuring provisions. Derivative instruments decreased slightly by € 6 million, and income tax liabilities decreased by 48% to € 41 million.

Net debt as at 30 September 2020 amounted to € 5,857 million, implying a net debt to EBITDAX ratio of 3.4x (31 December 2019: 2.0x).

5. Financial position

5.1. Statement of Cash Flows

Comparison of January–September 2020 to May–December 2019

€ million	Jan–Sep 2020	May–Dec 2019
Cash flow from operating activities	1,002	1,115
Cash flow from investing activities	-1,081	-1,027
Cash flow from financing activities	-163	-341
Change in cash and cash equivalents	-242	-253

Cash flow from operating activities
Cash flow from operating activities decreased by € 113 million from € 1,115 million in the comparison period to € 1,002 million in the reporting period. This decline is primarily due to lower commodity prices and a net increase in working capital. The decline was partially compensated for by higher dividends received from equity-accounted investments and income tax benefits mainly due to cash refunds for the tax value of losses from Norwegian tax authorities (cash inflow of € 287 million).

Cash flow from investing activities
Cash flow from investing activities, which includes capital expenditures, acquisitions, payments for financial receivables and proceeds from divestments and disposals, amounted to € 1,081 million in the reporting period compared to € 1,027 million in the comparison period.

Investments € million	Jan–Sep 2020	May–Dec 2019
Capital expenditures		
Northern Europe	**-813**	**-860**
Development/production	-788	-791
Exploration	-25	-69
Russia	**-9**	**-28**
Development/production	-9	-28
Exploration	-	0
Middle East/North Africa	**-114**	**-204**
Development/production	-114	-194
Exploration	-	-10
Latin America	**-33**	**-70**
Development/production	-28	-42
Exploration	-5	-28
Midstream	**-**	**0**
Other	**-2**	**-2**
Total capital expenditures	-971	-1,164
Acquisitions	-11	-
Total investments	**-982**	**-1,164**
Proceeds from the disposal of non-current assets/divestitures	50	307
Payments for financial receivables	-149	-170
Cash flow from investing activities	**-1,081**	**-1,027**

Expenditures for tangible and intangible assets decreased by € 193 million in response to the current external environment. The majority of the capital expenditures were directed to Northern Europe, largely for ongoing development projects such as Nova, Dvalin, Njord and Ærfugl/Skarv in Norway. Investments also continue to be made in the Raven field in the Egyptian West Nile Delta project. Total production and development capital expenditures amounted to € 941 million.

A total of € 30 million was capitalised in the reporting period from exploration activities. These expenditures relate to nine wells drilled in Northern Europe and Latin America. Eight wells were successful, whereas the remaining one well was not yet completed as at the closing balance sheet date and was still capitalised as at the end of September 2020.

Acquisitions in the reporting period consist of an equity injection into a non-consolidated subsidiary of Wintershall Dea.

Cash flow from financing activities
Cash flow from financing activities amounted to € -163 million in the reporting period, compared with € -341 million in May–December 2019. Cash flow from financing activities in the reporting period reflects mainly the decrease in liabilities from cash pooling with related parties — mostly impacted by the lower cash pooling of WIGA (€ 76 million) —, the repayment of lease liabilities (€ 55 million) and a dividend payment on preferred shares (€ 57 million). The cash flow from financing activities in the comparison period reflected payments to shareholders from capital reserves and the repayment of shareholder loans, offset by proceeds from bonds and proceeds from debt to bank after the refinancing in the course of the merger with Dea.

Free cash flow

€ million	Jan–Sep 2020	May–Dec 2019
Cash flow from operating activities	1,002	1,115
Cash flow from investing activities	-1,081	-1,027
Less payments for acquisitions	11	–
Free cash flow	-68	88

Free cash flow, which comprises the cash flow from operating activities and the cash flow from investing activities but excludes payments for acquisitions, amounted to € -68 million in the reporting period, compared with € 88 million in the period May–December 2019.

Comparison of July–September 2020 to July–September 2019

€ million	Jul–Sep 2020	Jul–Sep 2019[1]
Cash flow from operating activities	401	466
Cash flow from investing activities	-312	-444
Cash flow from financing activities	14	136
Change in cash and cash equivalents	103	158

[1] Like-for-like information for illustrative purposes

Cash flow from operating activities
Cash flow from operating activities in the reporting period amounted to € 401 million, a decrease of € 65 million compared with the period July–September 2019. This decrease resulted mainly from lower commodity prices, lower dividends received from equity-accounted investments and a net increase in working capital. The effect was partially compensated for by income tax mostly from cash refunds for the tax value of losses from Norwegian tax authorities (cash inflow of € 287 million).

Cash flow from investing activities
Cash flow from investing activities for the reporting period amounted to € -312 million, € 132 million lower compared with the period July–September 2019 due to lower investment activity.

This is in contrast, to cash flow for financial receivables, which increased year-on-year as a result of financing activities in Russia.

Investments € million	Jul–Sep 2020	Jul–Sep 2019[1]
Capital expenditures		
Northern Europe	**-215**	**-310**
Development/production	-212	-292
Exploration	-3	-18
Russia	**-2**	**-4**
Development/production	-2	-4
Exploration	-	0
Middle East/North Africa	**-29**	**-71**
Development/production	-29	-71
Exploration	-	0
Latin America	**0**	**-15**
Development/production	-8	-12
Exploration	8	-3
Midstream	**–**	**0**
Other	**-1**	**0**
Total capital expenditures	-247	-400
Acquisitions	–	–
Total investments	**-247**	**-400**
Proceeds from the disposal of non-current assets/divestitures	0	2
Payments for financial receivables	-65	-46
Cash flow from investing activities	**-312**	**-444**

[1] Like-for-like information for illustrative purposes

Expenditures for tangible and intangible assets decreased by € 153 million, mainly due to lower capital expenditures for development and production in Northern Europe and the Middle East/North Africa. Total production and development capital expenditures amounted to € 252 million.

In Latin America there was a reversal of capitalised exploration costs from the previous quarter. In Northern Europe there was a decrease in exploration compared to July–September 2019 (€ 18 million) due to the phasing of exploration activities in Norway during the year.

Cash flow from financing activities
Cash flow from financing activities amounted to € 14 million in the reporting period compared with € 136 million in July–September 2019. Cash flow from financing activities in the reporting period reflected primarily a decrease in liabilities from cash pooling with related parties — mostly impacted by the lower cash pooling of WIGA (€ 47 million). This decrease was partially offset by repayments of debts to banks in Argentina and lease liabilities. In the comparison period, the cash flow from financing activities comprised a dividend payment to non-controlling interests and changes in liabilities to related parties, overcompensated by proceeds from bonds and proceeds from debt to bank after the refinancing in the course of the merger with Dea.

Free cash flow

€ million	Jul–Sep 2020	Jul–Sep 2019[1]
Cash flow from operating activities	401	466
Cash flow from investing activities	-312	-444
Less payments for acquisitions	–	–
Free cash flow	89	22

[1] Like-for-like information for illustrative purposes

Free cash flow for the reporting period amounted to € 89 million, compared with € 22 million for the period July–September 2019. The decrease in the operating cash flow was overcompensated by lower payments for capital expenditures.

5.2. Cash and liquidity

Cash and cash equivalents amounted to € 537 million as at 30 September 2020, an increase of € 90 million including a € 12 million effect from FX translation compared with 30 June 2020.

In addition to the cash and cash equivalents, Wintershall Dea has an undrawn RCF facility of € 900 million and undrawn working capital lines of € 450 million. Overall, the available liquidity as at 30 September 2020 amounted to € 1,887 million.

Kassel and Hamburg, 19 November 2020

The Management Board

Mehren Smith Dijkgraaf Summers Wieland

Wintershall Dea GmbH Consolidated Interim Financial Statements for the Period 1 January to 30 September 2020

(with comparison period May to December 2019)

Consolidated Statement of Income

€ million	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
Revenues gas and oil	2,238	2,932	703	1,152
Revenues midstream	-	121	-	27
Revenues other	247	219	102	15
Net income from equity - accounted investments: gas and oil	-17	12	-11	4
Net income from equity - accounted investments: midstream	152	70	49	17
Other operating income	55	519	39	440
	2,675	3,873	882	1,655
Production and operating expenses	-1,195	-1,298	-366	-517
Production and similar taxes	-76	-110	-29	-35
Depreciation and amortisation	-1,047	-1,053	-335	-392
Net impairment on assets	-944	-298	8	-298
Cost of sales midstream	-	-19	-	-5
Exploration expenses	-73	-148	-8	-80
General and administration expenses	-303	-206	-101	-52
	-963	741	51	276
Financial income	150	107	128	100
Financial expenses	-305	-247	-155	-146
	-155	-140	-27	-46
Net income/loss (-) before taxes	**-1,118**	**601**	**24**	**230**
Income taxes	370	-286	21	-83
Net income/loss (-)	**-748**	**315**	**45**	**147**
Net income/loss (-) attributable to shareholders	**-748**	**285**	**45**	**141**
Net income/loss (-) attributable to non-controlling interests	-	30	-	6

Consolidated Statement of Comprehensive Income

€ million	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
Net income/loss (-)	**-748**	**315**	**45**	**147**
Actuarial gains/losses	-3	-47	10	64
Actuarial gains/losses from equity investments	-7	0	0	0
Items that will not be reclassified to income statement at a later date, recognised directly in equity	**-10**	**-47**	**10**	**64**
Unrealised gains/losses on currency translation	-411	33	-283	-38
Unrealised gains/losses on currency translation from equity investments	-87	15	-43	-40
Fair value changes in derivatives designated in cash flow hedges	-59	11	-52	11
Fair value changes in derivatives designated in cash flow hedges from equity investments	5	6	2	6
Income and expenses that will be reclassified to the statement of income at a later date, recognised directly in equity	**-552**	**65**	**-377**	**-61**
Other comprehensive income (net of tax)	**-562**	**18**	**-367**	**3**
Total comprehensive income	**-1,310**	**333**	**-322**	**150**
Total comprehensive income attributable to shareholders	-1,310	303	-322	144
Total comprehensive income attributable to non-controlling interests	-	30	-	6

Consolidated Balance Sheet

€ million	30 Sep 2020	31 Dec 2019
Assets		
Non-current assets		
Goodwill	2,461	2,580
Exploration assets	904	1,577
Other intangible assets	2,837	2,925
Property, plant and equipment, and investment property	9,050	9,932
Equity-accounted investments	2,542	2,685
Other financial assets	16	5
Financial receivables	1,130	1,064
Derivative instruments	95	72
Other receivables	62	135
Deferred tax assets	125	96
	19,222	21,071
Current assets		
Inventories	203	227
Financial receivables	219	181
Trade and other receivables	1,035	1,227
Derivative instruments	95	57
Income tax assets	348	83
Cash and cash equivalents	537	814
	2,437	2,589
Total assets	**21,659**	**23,660**

€ million	30 Sep 2020	31 Dec 2019
Equity and Liabilities		
Equity		
Subscribed capital	189	189
Capital reserve	1,161	6,152
Retained earnings and other comprehensive income	5,582	1,948
Shareholder's equity	6,932	8,289
Non-current liabilities		
Pension provisions	579	579
Decommissioning provisions	2,765	2,815
Other provisions	227	230
Financial debt	5,926	6,028
Derivative instruments	73	22
Income tax liabilities	7	8
Other liabilities	24	35
Deferred tax liabilities	3,429	3,477
	13,030	13,194
Current liabilities		
Decommissioning provisions	45	58
Other provisions	221	317
Financial debt	488	576
Trade and other payables	857	1,096
Derivative instruments	45	51
Income tax liabilities	41	79
	1,697	2,177
Total equity and liabilities	**21,659**	**23,660**

Consolidated Statement of Changes in Equity

€ million	Subscribed capital of Wintershall Dea GmbH	Capital reserves of Wintershall Dea GmbH	Retained earnings and net retained profit	Other comprehensive income: Remeasure-ment of benefit plans	Other comprehensive income: Foreign currency translation	Other comprehensive income: Cash flow hedges	Share-holder's equity	Non-controlling interests	Total
As at 1 January 2020	**189**	**6,152**	**2,943**	**-190**	**-786**	**-19**	**8,289**	**-**	**8,289**
Other comprehensive income	-	-	-	-10	-498	-54	**-562**	**-**	**-562**
Net income/loss (-)	-	-	-748	-	-	-	**-748**	**-**	**-748**
Total comprehensive income	-	-	-748	-10	-498	-54	**-1.310**	**-**	**-1.310**
Capital increase/ decrease	-	9	-	-	-	-	**9**	**-**	**9**
Dividend distribution	-	-	-57	-	-	-	**-57**	**-**	**-57**
Other changes	-	-5,000	5,001	-	-	-	**1**	**-**	**1**
As at 30 Sep 2020	**189**	**1,161**	**7,139**	**-200**	**-1,284**	**-73**	**6,932**	**-**	**6,932**
As at 1 May 2019	**105**	**1,173**	**2,699**[1)]	**-143**	**-834**	**-36**	**2,964**	**154**	**3,118**
Other comprehensive income	-	-	-	-47	48	17	**18**	**-**	**18**
Net income/loss (-)	-	-	285	-	-	-	**285**	**30**	**315**
Total comprehensive Income	-	-	285	-47	48	17	**303**	**30**	**333**
Changes in scope of consolidation	-	-	-	-	-	-	**-**	**-132**	**-132**
Capital increase/ decrease	84	4,979	-	-	-	-	**5,063**	**-**	**5,063**
Dividend distribution	-	-	-	-	-	-	**-**	**-52**	**-52**
Other changes	-	-	-41	-	0	-	**-41**	**-**	**-41**
As at 31 Dec 2019	**189**	**6,152**	**2,943**	**-190**	**-786**	**-19**	**8,289**	**-**	**8,289**

1) Adjusted according to IAS 8.41; the adjustment relates to the calculation method and disclosure of deferred taxes in Argentina and was carried out retrospectively as at 1 January 2019 (see also Consolidated Financial Statements for Short Fiscal Year 1 May to 31 December 2019).

Consolidated Statement of Cash Flows

€ million	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
Net income/loss (-)	**-748**	**315**	**45**	**147**
Depreciation/amortisation/net impairment on assets	2,020	1,378	336	693
Changes in provisions	-92	-214	-27	-60
Changes in deferred taxes	88	196	28	158
Gains (-)/losses from disposal of non-current assets	-4	54	0	67
Gains (-)/losses from deconsolidation	-	-427	-	-389
Other non-cash income/expenses	-93	-135	-48	-117
Changes in working capital	-63	51	-90	79
Miscellaneous items	-106	-103	157	-253
Cash flow from operating activities	**1,002**	**1,115**	**401**	**325**
Payments for intangible assets, property, plant and equipment and investment property	-971	-1,164	-247	-494
Payments for acquisitions	-11	-	-	-
Proceeds from the disposal of non-current assets/divestitures	50	307	0	265
Payments for financial receivables	-149	-170	-65	-79
Cash flow from investing activities	**-1,081**	**-1,027**	**-312**	**-308**
Dividend payment to shareholder (preferred shares)	-57	-	-	-
Payments to shareholders from capital reserves	-	-1,400	-	-100
Dividend payment to non-controlling interests	-	-52	-	-
Repayments of shareholder loans	-	-242	-	-
Proceeds from debt to banks	16	3,393	-	28
Proceeds from bonds	-	3,986	-	-
Repayments of debt to banks	-16	-5,657	-12	-45
Change in financial liabilities (related parties)	-51	-328	49	-207
Repayment of lease liabilities	-55	-41	-23	-18
Cash flow from financing activities	**-163**	**-341**	**14**	**-342**
Change in cash and cash equivalents	**-242**	**-253**	**103**	**-325**
Effects of foreign exchange rates changes, consolidation-related changes and other changes in value	-35	178	-13	7
Cash and cash equivalents at beginning of reporting period	**814**	**889**	**447**	**1,132**
Cash and cash equivalents at end of reporting period	**537**	**814**	**537**	**814**
Supplementary information on cash flows from operating activities				
Income tax paid/received	182	-303	268	-44
Interest paid	-69	-87	-52	-35
Interest received	18	27	3	5
Dividend received	189	110	42	24

Notes to the Condensed Consolidated Financial Statements

NOTE 1 – BASIS OF PRESENTATION

Wintershall Dea GmbH is a German limited company (registration court: Local Court (Amtsgericht) of Lüneburg; entry no.: HRB 200519) and has its registered office in Celle, Lower Saxony, Germany. The headquarters are in Kassel (Friedrich-Ebert-Strasse 160 in 34119 Kassel) and Hamburg (Überseering 40 in 22297 Hamburg), Germany.

The interim financial statements of Wintershall Dea GmbH and its subsidiaries ("WD Group" or the "Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union (EU).

In line with IAS 34, the scope of the presentation of the interim consolidated financial statements for the nine months period ended 30 September 2020 (comparison period 1 May to 31 December 2019) was condensed compared to the scope applied to the consolidated financial statements as at 31 December 2019. The interim consolidated financial statements apply the same accounting policies and practices as those used in the 2019 annual financial statements, except where financial reporting standards have been applied for the first time in 2020 (see Note 3).

Since the reporting period comprises a nine months period and the comparative period comprises an eight months period and since the business is also subject to seasonal effects, amounts presented in the financial statements in the year-to-year comparison are not entirely comparable.

Selected exchange rates

€ 1 =	**Closing rates**		**Average**	
	30 Sep 2020	31 Dec 2019	Jan–Sep 2020	May–Dec 2019
Argentinian peso (ARS)	89.18	67.21	76.16	57.99
Brazilian real (BRL)	6.63	4.52	5.71	4.47
British pound (GBP)	0.91	0.85	0.89	0.88
Norwegian krone (NOK)	11.10	9.86	10.71	9.92
Russian ruble (RUB)	91.78	69.96	79.96	71.53
US dollar (USD)	1.17	1.12	1.13	1.11
Mexican peso (MXN)	26.18	21.22	24.52	21.49

Discount rates

The discount rates applied for decommissioning provisions remain unchanged between 0.00% and 6.56%. Pension provisions are discounted at an interest rate of 0.94% in Germany (31 December 2019: 1.05%) and at an interest of 1.80% in Norway (31 December 2019: 1.80%).

NOTE 2 – SCOPE OF CONSOLIDATION

The consolidated financial statements include the accounts of Wintershall Dea GmbH and its subsidiaries over which the company has control. There are 50 consolidated companies (31 December 2019: 51). There are 7 joint ventures and 7 associated companies that are accounted for using the equity method (31 December 2019: 7 joint ventures and 7 associated companies).

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. There are joint arrangements at Wintershall Dea in the course of development and production activities. They are classified as joint operations since the arrangements transfer the rights and obligations relating to the assets and liabilities to the investors. The Company's shares in joint operations are accounted by recognizing its respective share in assets and liabilities as well as its income and expenses. The joint operation AO Achimgaz, Novy Urengoy/Russia, which is operated jointly with Gazprom for the production of natural gas and condensate is proportionately consolidated. Wintershall Dea holds a 50% interest in the company and controls the company jointly with Gazprom.

Companies whose business is dormant or of low volume and which are therefore of minor importance for the presentation of a true and fair view of the net assets, financial position and results of operations are not consolidated, but rather are reported under "other financial assets". These companies are carried at amortised cost and are written down in the event of an impairment. The aggregated assets as well as equity of these companies amount to less than 2.5% of both corresponding values at group level.

NOTE 3 – CHANGES IN ACCOUNTING STANDARDS

The International Accounting Standards Board (IASB) has adopted changes in the existing International Financial Reporting Standards (IFRS), which became effective for the WD Group as at 1 January 2020:

Standards, interpretations and amendments	**IASB effective date**
Amendments to Reference to the Conceptional Framework in IFRS Standards (2018)	1 January 2020
Amendments to IAS 1 and IAS 8 (2018) "Definition of Material"	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 (2019) "Interest Rate Benchmark Reform"	1 January 2020
Amendments to IFRS 3 (2018) "Business Combinations"	1 January 2020

The amendments had no material impact on the WD Group consolidated financial statements.

NOTE 4 – SUPPLEMENTARY INFORMATION ON CONSOLIDATED STATEMENT OF INCOME

Revenues

Revenues	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
€ million				
Revenues gas				
Gas sales own production	807	931	253	386
Gas sales trading	429	588	118	244
Gas derivatives	-2	23	-1	12
	1,234	1,542	370	642
Revenues oil				
Oil sales own production	930	1,348	315	490
Oil sales trading	10	27	1	15
Oil derivatives	64	15	17	5
	1,004	1,390	333	510
Total revenues gas and oil	**2,238**	**2,932**	**703**	**1,152**
Revenues midstream	-	121	-	27
Revenues other	247	219	102	15
Total	**2,485**	**3,272**	**805**	**1,194**

After the change in the consolidation method for the WIGA group in December 2019, revenues from midstream are no longer reported under revenues. The proportional result from the WIGA group is recognised under "Net income from equity – accounted investments: midstream" since then.

From Q4 2019 onwards, gas and oil (crude oil/condensate) revenues from own production also include service fees for extraction services in Russia, which have previously been shown under "revenues other". "Revenues other" mainly comprise revenues from construction services to Achim Development.

Trading revenues cover the trading activities for oil and gas. The corresponding purchase costs for oil and gas volumes sold to third parties are shown under "cost of trade goods". The trading activities of the Russian subsidiary YRGM Trading are shown net of cost under revenues ("gas sales trading").

Gains from gas derivatives and oil swaps are not considered sales revenues according to IFRS 15.

Production and operating expenses

Production and operating expenses	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
€ million				
Production cost	433	391	135	80
Change over-/underlift	-52	-2	-17	-38
Transport fees and leases	181	181	56	73
Development cost	23	16	11	-4
Cost of trade goods [1)]	395	561	108	235
Other cost of sales	215	123	73	123
Other costs	0	28	0	48
Production and operating expenses	**1,195**	**1,298**	**366**	**517**

1) The corresponding revenues are shown under gas sales trading and oil sales trading

"Production cost" also comprise extraction services in Russia. From Q4 2019 onwards construction services for Achim Development are shown under "other cost of sales", which have previously been shown under "production cost".

Financial result

	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
€ million				
Interest income from third parties	83	73	27	29
Interest income from related parties	6	2	1	8
Gains from financial derivatives, net	54	24	96	48
Income from investments	5	3	2	2
Other financial income	2	5	2	13
Financial income	**150**	**107**	**128**	**100**
Interest expenses to third parties	60	92	21	35
Interest expenses to related parties	0	0	0	0
Less capitalised borrowing costs	-32	-24	-11	-9
Foreign currency exchange losses, net	153	128	118	91
Interest from addition to provisions	32	37	11	14
Other financial expenses	1	15	0	16
Net impairment on financial receivables	91	-1	16	-1
Financial expenses	**305**	**247**	**155**	**146**
Financial result	**-155**	**-140**	**-27**	**-46**

In the January–September 2020 reporting period, a shareholder loan granted to an investment valued at equity was fully impaired as repayments are not expected. The impairment loss (€ 91 million) was recognised as net impairment on financial receivables in the financial result.

Income taxes

Income taxes	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
€ million				
Current taxes	458	-113	49	85
Deferred taxes	-88	-173	-28	-168
Total	**370**	**-286**	**21**	**-83**

The total tax income of Wintershall Dea in the January–September 2020 reporting period (€ 370 million) is impacted by deferred taxes on impairment losses for certain Norwegian, Mexican and German assets (in total € 246 million) as well as changes in the Norwegian petroleum tax law (€ 52 million).

NOTE 5 – SEGMENT REPORTING

The Group's business is conducted in 6 segments:

- E&P Northern Europe
- E&P Russia
- E&P Middle East/North Africa (MENA)
- E&P Latin America (LATAM)
- Midstream
- Other

The 4 E&P segments are further divided into 11 divisions, based on countries in the respective region. The E&P segments comprise exploration and appraisal, field development and production activities in the following divisions:

- E&P Northern Europe: Germany, Norway and Denmark/the Netherlands/the UK
- E&P Russia: Russia
- E&P Middle East/North Africa: Egypt, Libya, Algeria and United Arab Emirates (UAE)
- E&P Latin America: Argentina, Mexico and Brazil

The Midstream segment comprises the onshore and offshore gas transportation activities in Europe.

The segment "Other" includes corporate functions, inter alia Strategy, Global Exploration, Technology & Innovation, Digital, holding companies, the Board of Management as well as trading activities managed by headquarter.

The consolidation column includes the elimination of inter-segment sales, mainly resulting from the gas trading activities between the headquarter and the business segments. Sales between the segments are made at prices that approximate market price.

The internal performance measure "adjusted EBITDAX" (EBITDAX) is disclosed as a measure of profit and loss for each reporting segment. EBITDAX is not a recognised measure under IFRS.

€ million/mboed	E&P Northern Europe	E&P Russia	E&P Middle East/ North Africa	E&P Latin America	Midstream	Other	Consoli- dation	Total
				January–September 2020				
External revenues	1,152	402	187	269	1	474	-	2,485
Inter-segment revenues	104	-	-	0	-	4	-108	-
Segment revenues	1,256	402	187	269	1	478	-108	2,485
Depreciation and amortisation	-816	-34	-76	-116	0	-5	-	-1,047
Net impairment on assets	-282	-17	-484	-161	-	-	-	-944
Exploration expenses	-29	-	-3	-33	-	-8	-	-73
Income tax	396	-29	-27	12	1	17	-	370
Net income/loss (-)	-102	77	-475	-163	149	-234	-	-748
EBITDAX	703	150	99	168	152	-140	-	1,132
thereof net income from equity-accounted investments	-23	12	-6	-	152	-	-	135
Capital expenditures [1]	813	9	114	33	0	2	-	971
Production (mboed) [2] [3] [4]	201	287	51	74	-	-	-	613
thereof gas	108	230	39	65	-	-	-	442
thereof oil	93	57	12	9	-	-	-	171

1) Including capitalised exploration
2) On working interest basis, including proportional production from at equity valued companies
3) Excluding Libya onshore
4) Production (mboed) is not an IFRS measure

€ million/mboed	E&P Northern Europe	E&P Russia	E&P Middle East/ North Africa	E&P Latin America	Midstream	Other	Consoli- dation	Total
				May–December 2019				
External revenues	1,623	375	274	348	123	529	-	3,272
Inter-segment revenues	36	-	-	0	-	2	-38	-
Segment revenues	1,659	375	274	348	123	531	-38	3,272
Depreciation and amortisation	-763	-18	-84	-157	-27	-4	-	-1,053
Net impairment on assets	-48	-	-6	-244	-	0	-	-298
Exploration expenses	-71	-	-1	-77	-	1	-	-148
Income tax	-156	-44	-51	7	-8	-34	-	-286
Net income/loss (-)	32	195	81	-301	514	-206	-	315
EBITDAX	1,025	246	215	220	170	-97	-	1,779
thereof net income from equity-accounted investments	-22	21	-	-	77	6	-	82
Capital expenditures [1]	860	28	204	70	0	2	-	1,164
Production (mboed) [2] [3] [4]	198	284	55	78	-	-	-	615
thereof gas	104	229	42	68	-	-	-	443
thereof oil	94	55	13	10	-	-	-	172

1) Including capitalised exploration
2) On working interest basis, including proportional production from at equity valued companies
3) Excluding Libya onshore
4) Production (mboed) is not an IFRS measure

€ million/mboed	E&P Northern Europe	E&P Russia	E&P Middle East/ North Africa	E&P Latin America	Midstream	Other	Consoli- dation	Total
	July–September 2020							
External revenues	366	100	94	96	-	149	-	805
Inter-segment revenues	43	-	-	0	-	1	-44	-
Segment revenues	409	100	94	96	-	150	-44	805
Depreciation and amortisation	-278	-21	-22	-12	0	-2	-	-335
Net impairment on assets	5	-	-	3	-	-	-	8
Exploration expenses	-5	-	-1	0	-	-2	-	-8
Income tax	78	-1	-33	-14	0	-9	-	21
Net income/loss (-)	37	-12	17	38	49	-84	-	45
EBITDAX	257	9	64	64	50	-47	-	397
thereof net income from equity-accounted investments	-8	-2	-1	-	49	-	-	38
Capital expenditures [1]	215	2	29	0	-	1	-	247
Production (mboed) [2] [3] [4]	196	278	55	77	-	-	-	606
thereof gas	100	221	38	68	-	-	-	427
thereof oil	96	57	17	9	-	-	-	179

1) Including capitalised exploration
2) On working interest basis, including proportional production from at equity valued companies
3) Excluding Libya onshore
4) Production (mboed) is not an IFRS measure

€ million/mboed	E&P Northern Europe	E&P Russia	E&P Middle East/ North Africa	E&P Latin America	Midstream	Other	Consoli- dation	Total
	October–December 2019							
External revenues	582	176	86	112	29	209	-	1,194
Inter-segment revenues	29	-	-	0	-	-15	-14	-
Segment revenues	611	176	86	112	29	194	-14	1,194
Depreciation and amortisation	-333	-7	-21	-59	-8	36	-	-392
Net impairment on assets	-48	-	-6	-244	-	0	-	-298
Exploration expenses	-39	-	2	-49	-	6	-	-80
Income tax	-77	-18	-8	26	6	-12	-	-83
Net income/loss (-)	49	78	13	-254	389	-128	-	147
EBITDAX	400	100	41	54	39	-31	-	603
thereof net income from equity-accounted investments	-10	1	-	-	24	6	-	21
Capital expenditures [1]	353	19	80	40	0	2	-	494
Production (mboed) [2] [3] [4]	200	307	55	75	-	-	-	637
thereof gas	107	249	45	65	-	-	-	466
thereof oil	93	58	10	10	-	-	-	171

1) Including capitalised exploration
2) On working interest basis, including proportional production from at equity valued companies
3) Excluding Libya onshore
4) Production (mboed) is not an IFRS measure

External revenues are allocated to the following divisions:

External revenues	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
€ million				
Norway	793	1,135	258	391
Germany	352	473	101	177
UK/Denmark/Netherlands	7	15	7	14
Northern Europe	**1,152**	**1,623**	**366**	**582**
Russia	**402**	**375**	**100**	**176**
Egypt	105	161	34	71
Libya	52	78	52	2
Algeria	30	35	8	13
Middle East/North Africa	**187**	**274**	**94**	**86**
Argentina	232	299	82	93
Mexico	37	49	14	19
Latin America	**269**	**348**	**96**	**112**
Midstream	**1**	**123**	**0**	**29**
Other	**474**	**529**	**149**	**209**
Total	**2,485**	**3,272**	**805**	**1,194**

EBITDAX

EBITDAX is derived from the profit/loss (-) before taxes and adjusted by the following items:

a) Interest income and expenses and income from investments shown as financial income and expenses in the income statement but adjusted for interest effects regarding pension provisions and pension assets which are shown separately in the line "pension items".

b) Income and expenses attributable to exploration but excluding depreciation and amortisation, net impairment on assets, interest income and expenses, currency effects and pension items for exploration, since these are adjusted in separate line items.

c) Depreciation and amortisation and net impairment on assets as shown in the statement of income.

d) Acquisition, disposal and restructuring costs and further identified items as stated below. This represents all fees, costs and expenses, stamp duty, registration and other taxes incurred by the company in connection with an acquisition or a disposal and material items of an unusual or non-recurring nature (e.g. resulting from restructuring activities).

e) Realised and unrealised foreign exchange gains and losses (including hedging results).

f) Gains over or losses on book value arising from the disposal of fixed assets (other than the sale of trading stock).

g) Income from pension assets, interest expenses, service costs or other charges attributable to a post-employment benefit scheme (pension items).

EBITDAX	Jan–Sep 2020	May–Dec 2019	Jul–Sep 2020	Oct–Dec 2019
€ million				
Income/loss (-) before taxes	**-1,118**	**601**	**24**	**230**
Interest and other financing costs	-65	6	-20	-24
Exploration expenses	72	146	8	80
Depreciation, amortisation and net impairment on assets	1,991	1,350	327	689
Acquisition, disposal and restructuring costs and identified items [1)]	132	-425	28	-414
Realised and unrealised gains/losses from foreign currency valuation and financial derivatives	99	103	22	42
Gains/losses attributable to the disposal of fixed assets	0	11	-	24
Pension items	21	-13	8	-24
EBITDAX	**1,132**	**1,779**	**397**	**603**

1) Includes the following identified items:
Jan–Sep 2020: including restructuring costs of € 2 million, integration costs of € 39 million and € 91 million in impairment losses on financial receivables
May– Dec 2019: including restructuring costs of € -33 million, acquisition costs of € 5 million, integration costs of € 30 million, net gain from deconsolidated subsidiaries of € -42 million and € -385 million for the change in consolidation method for the WIGA Group
Jul–Sep 2020: including integration costs of € 12 million and € 16 million in impairment losses on financial receivables
Oct–Dec 2019: including restructuring costs of € -33 million, acquisition costs of € 3 million, integration costs of € 9 million, a net gain from deconsolidated subsidiaries of € -8 million and the change in consolidation method for the WIGA Group € -385 million

NOTE 6 – SUPPLEMENTARY INFORMATION ON BALANCE SHEET

Intangible assets and property, plant and equipment and investment property

Intangible assets	30 Sep 2020	31 Dec 2019
€ million		
Exploration	904	1,577
Other intangible assets	2,837	2,925
Goodwill	2,461	2,580
Total	**6,202**	**7,082**

Property, plant and equipment and investment property	30 Sep 2020	31 Dec 2019
€ million		
Land and buildings [1)]	116	132
Gas and oil assets	8,899	9,756
Other plant machinery and equipment	8	11
Fixtures and fittings and office equipment	27	33
Total	**9,050**	**9,932**

1) Land and buildings include investment property.

Impairment testing
The impairment losses have been recognised in the income statement as net impairments of assets. They comprise impairments on property, plant and equipment, other intangible assets and goodwill as well as impairments on investments valued at equity.

An impairment is recognised when the book value of an asset or a cash-generating unit, including goodwill, exceeds the recoverable amount. The recoverable amount corresponds to the fair value less cost of disposal (level 3 in fair value hierarchy). For producing licences and licences in development phase the recoverable amount is estimated based on discounted future after tax cash flows.

Net impairment on assets	**Jan–Sep 2020**
€ million	
Goodwill	27
Acquisition cost of concessions	320
Producing and development assets	580
Investments valued at equity	17
Total	**944**

In the reporting period, net impairment on assets amount to € 944 million (pre-tax). The impairments on property, plant and equipment and other intangible assets relate to acquisition costs in Mexico (€ 161 million), to producing and development assets and acquisition costs in Egypt (€ 405 million) as well as to producing and development assets in Norway (€ 236 million), Algeria (€ 52 million) and Germany (€ 46 million).

The goodwill allocated to the cash-generating unit Egypt was fully impaired (€ 27 million).

Moreover, the net impairment on assets include impairments on investments valued at equity in Russia (€ 17 million).

The impairments are mainly triggered by revised commodity price assumptions and include updated operational assumptions for certain assets. The update of the commodity price scenario took place in the second quarter of 2020 once it became apparent that the decline in commodity prices which initially occurred in March 2020 is of longer nature. The revised gas and oil price scenario includes an oil price of 33.5 USD/bbl and a gas price of 3.3 USD/mmbtu for the year 2020. The discount rates remain unchanged to the impairment test for year-end 2019.

The decrease of net impairments on assets compared to the second quarter of 2020 was caused by foreign currency translation effects.

See also Note 10 "Impact of COVID-19 pandemic".

Financial Debt/Net Debt

Financial debt	30 Sep 2020 non-current	30 Sep 2020 current	31 Dec 2019 non-current	31 Dec 2019 current
€ million				
Bonds	4,000	1	4,000	12
less transaction cost	-15	-	-16	-
	3,985	1	3,984	12
Debt to banks	1,851	1	1,879	2
less/plus transaction cost and embedded derivatives	7	-	8	-
	1,858	1	1,887	2
Financial liabilities to related parties and other participations	-	433	0	496
Lease liabilities	83	53	157	66
Total	**5,926**	**488**	**6,028**	**576**

Bonds
On 25 September 2019, Wintershall Dea Finance B.V. (a fully owned subsidiary of Wintershall Dea GmbH) issued bonds in the amount of € 4,000 million. The transaction comprised of four tranches.

The arrangement fee has been capitalised as a reduction of the loan amount and is being amortised over the expected life applying the effective interest method.

Bonds	%	Maturity	Currency	Nominal value	Fair Value 30 Sep 2020	Carrying amount 30 Sep 2020
€ million						
Bond	0.452	2023	EUR	1,000	987	997
Bond	0.840	2025	EUR	1,000	974	996
Bond	1.332	2028	EUR	1,000	941	996
Bond	1.823	2031	EUR	1,000	937	996
Total				**4,000**	**3,839**	**3,985**

The fair value was determined using quoted prices in an active market. The Group's repayment obligation remains unchanged at € 4,000 million.

Debt to banks
Following the merger with Dea Group, the previous financing (BASF group financing) was replaced by an external financing arrangement via a consortium of banks (Syndicated Credit Facilities Agreement). The first tranche was drawn on 30 April 2019 and the second tranche was drawn on 2 May 2019. As at 30 September 2020, a nominal amount of € 1,851 million was utilised (Facility B and C). Facility A was fully repaid in September 2019.

For the remaining Facilities B and C of the Syndicated Credit Facilities Agreement, margins over the applicable Euribor and Libor rate apply.

An arrangement fee has been capitalised as a reduction of the loan amount in April 2019. In addition, the financing facility comprises embedded derivatives which are required to be separated. The positive fair value of the embedded derivatives was initially recognised as an increase in the loan amount. Both amounts are being amortised over the term of the loans with corresponding impact on the financial result. Refer to Note 9 for more information on the embedded derivatives.

Breakdown of debt to banks (incl. accrued interest)	**Term**	**Interest rate**	**Currency**	**Nominal value (contract currency)**	**30 Sep 2020 (€ million)**	**31 Dec 2019 (€ million)**
Facility B	04/2022	0.6%	EUR	584	587	586
	05/2024	0.86 – 2.61%	USD	400	343	358
Facility C	04/2022	0.75%	EUR	584	586	587
	05/2024	0.86 - 2.76%	USD	400	343	358
Total					**1,859**	**1,889**

Credit facility

A revolving credit facility in the total amount of € 900 million and a tenor of 5-years with additional extension options for up to 2 years was agreed with the bank consortium which can be utilised if necessary. The first one-year extension was already requested, and the Company received the confirmation that the majority of the existing Revolving Credit Facility lenders declared their consent to the first one-year extension with a total extension amount of rounded € 872 million. The facilities are currently undrawn.

In April 2020, further working capital lines of € 450 million in total have been secured with five banks and are currently undrawn. These committed lines have a maturity of 364 days.

Net Debt	**30 Sep 2020**	**31 Dec 2019**
€ million		
Cash and cash equivalents	-537	-814
Financial receivables from cash pooling	-19	-16
Bonds	3,986	3,995
Debt to banks	1,859	1,889
Financial liabilities from cash pooling	432	485
Lease liabilities	136	223
Net Debt	**5,857**	**5,762**

NOTE 7 – COMMITMENTS

Contractual commitments
As at 30 September 2020, Wintershall Dea has commitments from firm contracts for property, plant and equipment as well as from field development projects in the amount of € 350 million (31 December 2019: € 404 million).

Furthermore, Wintershall Dea is committed to a certain number of exploration wells and seismic acquisitions in the context of concession agreements. The estimated expenditures amount to € 148 million (31 December 2019: € 156 million).

Other long-term commitments
The obligations from purchase agreements resulted primarily from long-term purchase commitments for natural gas. The firm purchase commitments amount to € 2,416 million as at 30 September 2020 (31 December 2019: € 3,559 million). The decline compared to year end is impacted by lower volumes and prices.

€ million	30 Sep 2020	31 Dec 2019
2020	191	783
2021	767	928
2022	825	1,022
2023	629	821
2024	1	1
2025 and residual maturities extending beyond this	3	4
Total	**2,416**	**3,559**

NOTE 8 – RELATED PARTY TRANSACTIONS

A related party is a natural person or legal entity that can exert influence on the Wintershall Dea Group or over which the Wintershall Dea Group exercises control, joint control or a significant influence.

Wintershall Dea is jointly controlled by BASF and LetterOne. Therefore, BASF and LetterOne and their subsidiaries are considered as related parties. In addition, related parties include non-consolidated subsidiaries, joint ventures and associated companies.

Revenue with related parties	Jul–Sep 2020	May–Dec 2019
€ million		
Non-consolidated subsidiaries	-	2
Joint ventures/associated companies	212	124
Shareholders and their affiliates	184	240
Total	**396**	**366**

Trade accounts receivables from/ trade accounts payable to related parties	Trade accounts receivables 30 Sep 2020	Trade accounts receivables 31 Dec 2019	Trade and other payable 30 Sep 2020	Trade and other payable 31 Dec 2019
€ million				
Non-consolidated subsidiaries	1	1	1	1
Joint ventures/ associated companies	56	52	3	4
Shareholders and their affiliates	25	42	16	4
Total	**82**	**95**	**20**	**9**

Financial and other receivables from/ financial liabilities to related parties	Financial and other receivables 30 Sep 2020	Financial and other receivables 31 Dec 2019	Financial and other liabilities 30 Sep 2020	Financial and other liabilities 31 Dec 2019
€ million				
Non-consolidated subsidiaries	33	31	8	2
Joint ventures/associated companies	377	362	425	484
Shareholders and their affiliates	-	1	-	9
Total	**410**	**394**	**433**	**495**

In addition, Wintershall Dea has recognised a provision for a reimbursement obligation towards one shareholder in the amount of € 7 million. The corresponding expenses have been netted with third party refunds in production and similar taxes.

Revenues with, as well as trade accounts receivable from, and trade accounts payable to related parties mainly comprised transactions with the company's own products, as well as other typical business transactions.

Other receivables and liabilities resulted mainly from financing transactions, outstanding dividend payments and profit and loss transfer agreements, as well as other financing-related and operating transactions.

Cash-effective changes in financial liabilities to related parties (see "Consolidated Statement of Cash Flows") are mainly related to liabilities from cash pooling.

All transactions are subject to market terms and conditions.

NOTE 9 – REPORTING OF FINANCIAL INSTRUMENTS

The financial instruments comprise both primary and derivative financial instruments and are assigned to the valuation categories according to IFRS 9. Financial instruments on the asset side like other financial assets, parts of other receivables and derivatives are recognised at fair value, while other financial receivables, trade and other receivables in general and cash and cash equivalents are recorded at amortised cost, with carrying amounts reflecting expected credit losses. On the liabilities side, the primary financial instruments include liabilities at amortised costs.

Fair values of derivative financial instruments are determined using customary market valuation methods taking into account public market data available on the measurement date as well as the counterparty default risk.

Commodity derivatives
The Group has designated oil sales derivatives and started designating certain fixed price gas sales agreements as hedging instruments within the scope of cash flow hedges. Cash flow hedges are used to hedge the risk of variability in cash flows related to highly probable forecast transactions. The effective portion of changes in the fair value of derivatives, that are designated as hedging instruments within cash flow hedges, is recognised as other comprehensive income within equity. The gains or losses relating to the ineffective portion are recognised immediately in profit or loss.

As at 30 September 2020, parts of our oil sales are hedged until 2022 and parts of our gas sales until 2023. In the case of oil sales, the price of the hedged item is defined via a price formula in the sales contract. The instruments used are Brent dated oil swaps for which a liquid market exists. Furthermore, a regression analysis shows a high correlation between Brent dated oil and the price formula. This is also the basis to determine the hedge ratio in order to achieve the highest level of hedge efficiency.

Fixed price contracts with physical delivery at liquid locations are used as hedging instruments for gas sales. Published market prices for respective periods and locations are used for determination of fair values of such sales contracts.

		30 Sep 2020	
Commodity derivatives (hedge accounting)	**non-current**	**current**	**total**
Oil swaps			
mbbl	2,934	4,618	7,552
Average price/rate ($/bbl)	64	58	61
Carrying amount			
Derivative assets	43	61	104
Derivative liabilities	0	-	0
Fixed price gas sales			
mmscf	21,444	109,164	130,608
Average price/rate ($/mscf)	4.1	4.0	4.0
Carrying amount			
Derivative assets	0	0	0
Derivative liabilities	23	26	49

Derivatives related to the gas trading business are measured and disclosed based on a net risk exposure in accordance with IFRS 13.48.

Foreign currency derivatives
In the context of the Group's ordinary net foreign currency exposure derivatives are recognised at fair value through profit and loss.

In order to hedge the foreign currency risk from future USD repayments of intercompany loans the company entered into cross currency swaps. The future cash flows resulting from the repayment of the intercompany loans have been designated as hedged items. The spot elements and the forward elements of the cross currency swaps have been separated, whereas only the value changes of the spot elements have been designated as hedging instruments. The forward elements are recognised as cost of hedging in other comprehensive income and are reclassified to profit or loss on a systematic (linear) basis. Hedge ineffectiveness is immediately recognised in profit or loss. As at 30 September 2020, the market value of the derivative liabilities amounts to € 7 million.

Interest derivatives
In the context of financing activities, embedded derivatives have been identified which are required to be separated from their host contracts. The contractual terms of the credit facilities entered into by the company contain early termination options as well as in individual cases extension options within the discretion of the company. Early termination and extension options represent embedded derivatives which have to be separated and measured at fair value through profit and loss. Changes in fair value are based on changes of market interest rates and company`s own credit risk. To determine the fair value an option pricing model is used, taking into account simulations of interest rates and company`s own credit risk. The market value as at 30 September 2020 amounts to € 13 million.

The carrying amounts of the primary financial assets and liabilities are close to their fair values, either because if short maturities or due to floating interest rates in case of non-current loans.

The following overview represents the financial instruments to be recognised at fair value and the essential parameters on which the measurement is based. The individual levels are defined as follows in accordance with IFRS 13:

Level 1: Measurement at (unadjusted) prices quoted for identical assets or liabilities on active markets.

Level 2: Measurement based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurement on the basis of unobservable inputs.

Fair value hierarchy	**30 Sep 2020**			
	Total	**Level 1**	**Level 2**	**Level 3**
€ million				
Other receivables	57	34	-	23
Derivative financial assets	190	-	190	-
thereof commodity derivatives	149	-	149	-
thereof currency derivatives	28	-	28	-
thereof embedded derivatives	13	-	13	-
Derivative financial liabilities	118	-	118	-
thereof commodity derivatives	96	-	96	-
thereof currency derivatives	22	-	22	-

Fair value hierarchy	31 Dec 2019			
	Total	Level 1	Level 2	Level 3
€ million				
Other receivables	23	-	-	23
Derivative financial assets	129	-	129	-
thereof commodity derivatives	72	-	72	-
thereof currency derivatives	26	-	26	-
thereof embedded derivatives	31	-	31	-
Derivative financial liabilities	73	-	73	-
thereof commodity derivatives	52	-	52	-
thereof currency derivatives	21	-	21	-

No transfers between the levels occurred during the period under review or during the previous year.

As at 30 September 2020, other receivables allocated to Level 3 (€ 23 million) comprise the fair value of contingent consideration resulting from the Sierra Oil & Gas purchase agreement. This receivable was part of the assets acquired in the course of the merger with Dea Group. The valuation has not affected profit or loss in the reporting period.

Other receivables allocated to Level 1 (€ 34 million) are related to Wintershall Dea Argentina`s investments in financial instruments that are denominated in Argentinian peso but have the US dollar as underlying currency. These financial instruments include Argentinian peso sovereign bonds (Bono Rep. Argentina USD Step Up 2030) and Argentinian Deposit Certificates (Certificados de Depósito Argentinos or "CEDEARs"). CEDEARs are negotiable depositary receipts in Argentina which represent the deposit of a single kind and class of shares of non-Argentinian companies. Both, Argentinian sovereign bonds and CEDEARs are traded on public markets.

NOTE 10 – IMPACT OF COVID-19 PANDEMIC

Since the beginning of this year, the spread of COVID-19 has resulted in a global health pandemic, which in turn led to a significant global decline in economic activity, and a corresponding steep decline in commodity prices. The duration and extent of the COVID-19 pandemic and the resulting impact for the WD Group cannot be ascertained at this time. However, following the decline in commodity prices, the WD Group has revised its commodity price assumptions triggering an impairment test for our major assets. Impairments were recognised in the second quarter. In the reporting period, the pre-tax net impairment on assets amount to € 944 million (see Note 6).

In June 2020, the Norwegian government enacted temporary changes to the petroleum tax system, in effort to maintain oil and gas investments during a period of falling oil prices and reduced activity due to the COVID-19 situation. The changes include an increase of the uplift allowance to 24% for investments and the direct tax expense of both uplift allowances and capital expenditures in the special petroleum tax regime in 2020 and 2021. These changes result in a positive tax effect of € 52 million in the tax result. In addition, cash refunds for the tax value of losses from Norwegian tax authorities have been received in August and in September totalling NOK 3,002 million (€ 287 million). An additional negative tax instalment with an amount of NOK 1,501 million (ca. € 138 million) is expected in the fourth quarter of 2020.

In Germany, the government allowed for several tax deferral schemes (mainly value added tax and payroll tax) to take place. The company took advantage of the scheme with an overall payment amount of € 47 million deferred to year end as at the end of September 2020.

NOTE 11 – EVENTS AFTER THE BALANCE SHEET DATE

No events subject to mandatory disclosure occurred after the balance sheet date that have not been reflected in the consolidated financial statements.

Kassel and Hamburg, 19 November 2020

The Management Board

Mehren	Smith	Dijkgraaf	Summers	Wieland